

Assessing whether a change in payments due to COVID-19 is a lease modification

We have been made aware of changes in lease payments that have occurred or are expected to occur, as a result of the COVID-19 pandemic so the lease contract and accounting may be modified.

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Lease contract be modified or not according to IFRS 16

Lease contract should be modified	Lease contract shouldn't be modified
<ul style="list-style-type: none"> Change in the scope of a lease (1), or the consideration for a lease (2), that was not part of the original terms and conditions of the lease <p>(1) Change in the scope of the lease such as change in the right of use conveyed to the lessee by the contract.</p> <p>(2) Change in the consideration for a lease such as change the lease payments.</p>	<ul style="list-style-type: none"> Change in the scope of a lease, or the consideration for a lease but that was part of the original terms and conditions of the lease No change in either the scope of the lease or the consideration for the lease

What entity to do

Lease contract be modified	Lease contract be not modified
<p>IFRS 16 requires a lessor to account for a modification to an operating lease as a new lease from the effective date of the modification.</p>	<p>That change would generally be accounted for as a variable lease payment. In this case, a lessee applies paragraph 38 of IFRS 16 and generally recognises the effect of the rent concession in profit or loss. For an operating lease, a lessor recognises the effect of the rent concession by recognising lower income from leases.</p>

Conclusion

Entity should assess the change in the scope of a lease, or the consideration for a lease because of COVID-19 pandemic to modify the lease contract and other further accounting.

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